50 YEARS

1956 – 2006

Helping Alberta Grow

ACFA

50

Alberta Capital Finance Authority
Helping Alberta Grow

Since 1956, the Alberta Capital Finance Authority (ACFA), originally the Alberta Municipal Financing Corporation (AMFC), has contributed to the progress and growth of communities throughout Alberta. "Last year we celebrated Alberta's centennial and that was a very special time for Albertans," said Terry Stroich, the Authority's President. "ACFA's 50th Anniversary this year is also an important event, since the Authority has played such a vital role in helping to build the province."

The *Alberta Municipal Financing Corporation Act* received royal assent on March 29, 1956 and a provisional Board of Directors was appointed soon after. The Corporation's first Annual Meeting was held in December 1956, where shareholders elected their board members. The Board held its first full meeting in January 1957. An official Board of Directors was established and included J.W. Judge (Chairman), C.P. Hayes (Vice-Chairman), K.J. Hawkins (General Manager), and F.G. Stewart (Secretary-Treasurer). "These individuals played an integral part in establishing the Corporation and developing the framework upon which we continue to operate," said Don Lussier, ACFA's Chair.

Soon after its inception, the Corporation began receiving loan applications from municipalities across Alberta. On June 1, 1957 the first loans were made, totaling $290,750, to the villages of Forestburg, Kinuso and Mirror, and the towns of Leduc, Vegreville and Wainwright. These towns and villages used their loans for a variety of capital projects, including the building of sewer and water systems, community and town halls, sidewalks, paving, and the purchase of a new fire truck.

Alberta Treasury initially provided the Corporation with financing, but AMFC soon needed additional financing to meet the growing requests for loans. To meet this need, the Corporation ventured into public money markets in May 1959, raising $50 million in 25-year bonds in New York. The Corporation's first public issue in Canada was made the following year, resulting in $12 million 20-year bonds. AMFC continued to raise money on both the United States and Canadian markets until 1966.

In 1966 the provincial government made the majority of its allotment from the Canada Pension Plan (CPP) Investment Fund available to the Corporation. "This was a significant change, since it meant the Corporation would no longer have to rely on raising funds in the public market," said Lussier. In response to the rapid growth taking place at the time, AMFC increased the limit placed on loans it made to municipalities from $40 per capita to $50 per capita. The limit was raised again in 1973 to $60, until January 1974 when AMFC discontinued the per capita limit altogether.

The availability of funds from the CPP Investment Fund would prove especially beneficial in the early '70s, when the province's population began to grow dramatically, increasing the financial needs of shareholders. From 1973 to 1974, total loans made by the Corporation more than doubled from $74.9 million to $165.1 million. They continued to increase until 1982, reflecting the pattern of growth taking place in Alberta.

In 1977, another significant event made it possible for the Corporation to avoid returning to public money markets to meet the demands of growing municipalities and school boards. The Government of Alberta established the Alberta Heritage Savings Trust Fund and made monies from the fund available to the Corporation. By 1982, AMFC had issued the largest annual volume of new loans in its history. The new loan total for that year was $1.12 billion. At the same time, loan rates had reached their peak, at 19 per cent.

In 1986 and 1987, with changes to the Sinking Fund Policy and repayment of high rate debt, loans carrying interest rates of more than 12.5 per cent were reduced to 12.5 per cent, affecting more than 2,400 loans and saving shareholders over $800 million in future interest costs.

Compared to the previous decade, loans issued during the '90s were significantly lower. However, they were by no means steady. Total loans made by AMFC more than doubled once again from $200 million in 1990 to nearly $500 million in 1991. From 1994 to 1995 they decreased by more than half from $280 million to just over $100 million. It would take nearly five years for the new loan total to return to the levels seen in the late '80s and early '90s.

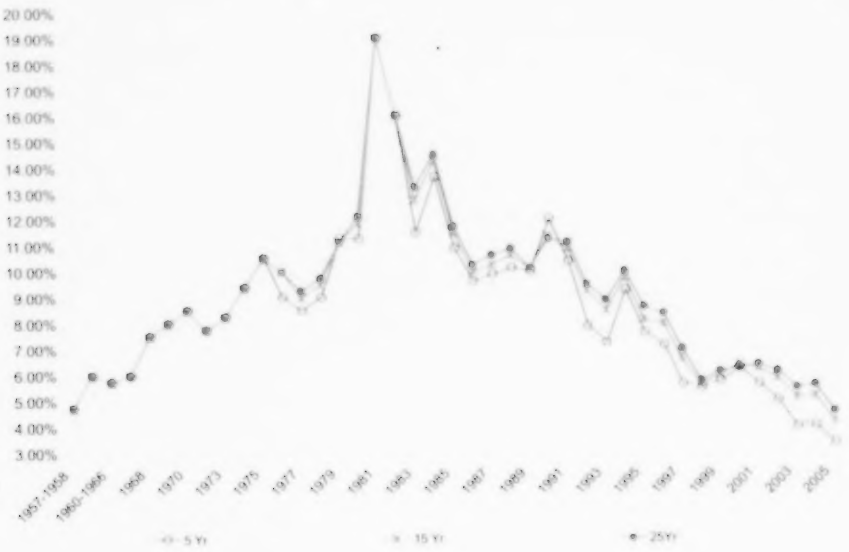
In 1993, shareholders benefited from a decision by the Board of Directors to distribute $38 million in interest rebates from retained earnings and to reduce the rate on all loans to a maximum of 12 per cent, saving borrowers another $62 million in future interest costs. This was the first such distribution in the Corporation's history. Another $75 million in interest rebates was paid to shareholders in 1996 and again in 2000, reducing retained earnings without impairing the Corporation's financial viability. Not only were the Class B to E shareholders benefiting from AMFC's interest rebates, the Province of Alberta also benefited with the transfer of $300 million in 1992 and $100 million in 2003 to the General Revenue Fund. From the late '90s on, loan recipients benefited from a steady decrease in loan rates, with rates for five, 15 and 25-year debentures reaching all-time lows in 2005.

By the late '90s, new loan totals were slowly increasing, reaching $369 million in 2000, the highest level since 1993. New loan totals reached the third-highest level on record in 2002 at $766 million, the most since 1981 and 1982.

In 2003, the AMFC underwent a significant change with the rewriting and modernizing of the *Alberta Municipal Financing Corporation Act* and the renaming of the Corporation to the Alberta Capital Finance Authority. The Authority was granted natural person powers, which meant it could operate more efficiently and respond to opportunities more quickly.

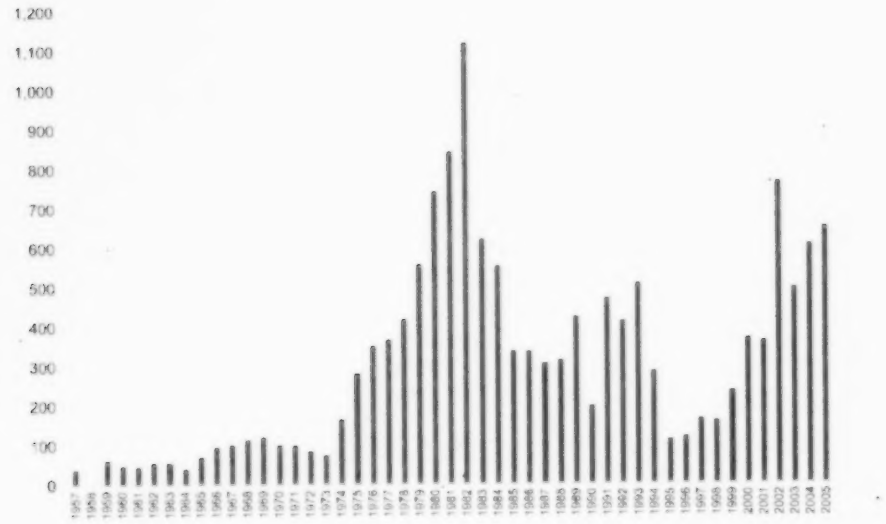
With the province's current fiscal climate, ACFA is set to continue providing municipalities and other shareholders with opportunities for development. "For 50 years, we've watched the province develop and we've seen ACFA develop along with it," reflected Stroich. "This is an exciting time for Alberta and no doubt an exciting time for the Authority. We're in a position to provide our shareholders with the funding they need to maintain the superior quality of life that Albertans enjoy. And we're looking forward to continuing to do what we do best - helping Alberta grow."

Loan Rates



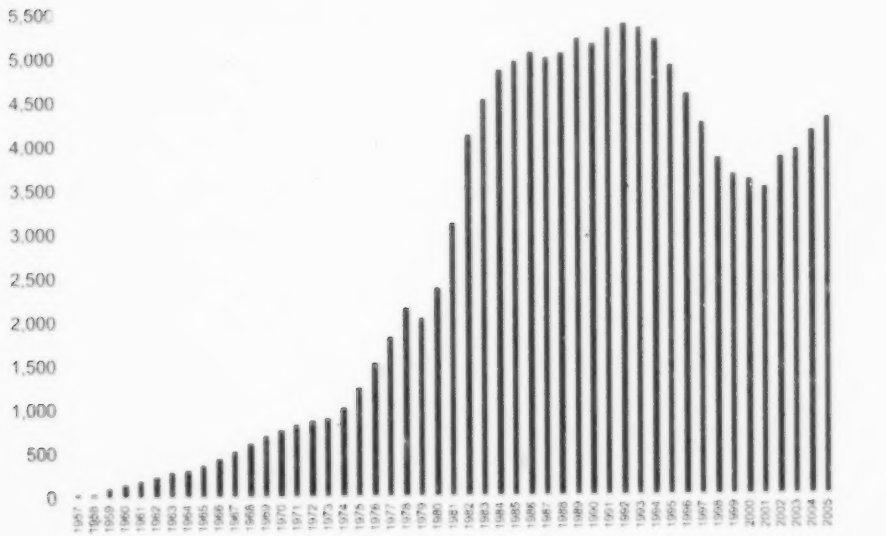
New Loans

(Millions of Dollars)



Loans Outstanding

(Millions of Dollars)



Message from
Honourable Ralph Klein
Premier of Alberta

On behalf of the Government of Alberta, I am pleased to include greetings in the Alberta Capital Finance Authority's 2005 Annual Report.

For 50 years the Alberta Capital Finance Authority (ACFA), previously known as the Alberta Municipal Financing Corporation, has contributed significantly to building this province. You have played an invaluable role in making funds available to local governments for use on projects that best meet the needs of Alberta communities. Since 1956, you have assisted municipalities in improving the quality of life for community residents by providing funding for recreational facilities and essential services such as sewer, road, and transit systems. Projects financed by the ACFA have contributed to a higher standard of living for all Albertans.

Congratulations on reaching the significant milestone of a half-century of service to Albertans. Having celebrated Alberta's Centennial, Albertans are now looking forward to what the next century holds for this great province. May the ACFA continue to play a key role in ensuring a bright future for municipalities and all Albertans. Best wishes for continued success.

Message from
Honourable Shirley McClellan
Deputy Premier and Minister of Finance

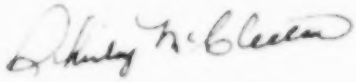
As Minister of Finance it is my pleasure to extend warmest wishes and congratulations to the Alberta Capital Finance Authority (ACFA) on reaching its 50th Anniversary.

This is a significant milestone and an excellent opportunity to reflect on all the ACFA has accomplished over the past 50 years. You have made a significant impact on shaping the province into what it is today by making funds available at the lowest possible cost to municipalities for capital projects. The services you provide benefit local communities and help secure a quality of life for Albertans that is second to none.

As you celebrate your accomplishments, you should also take some time to look forward to the future of the ACFA and the province. Alberta's strong fiscal climate has created countless opportunities for both rural and urban growth. With a growing population and the resulting need for expanded municipal facilities and services, the ACFA will no doubt play an increasingly important role in assisting municipal jurisdictions throughout Alberta. The services you provide will be invaluable in helping communities meet the demands of growth while also helping them take full advantage of the opportunities brought on by Alberta's strong fiscal climate.

I applaud your hard work and dedication, and thank you for the contributions you have made to the province and Albertans. Thanks in no small part to the ACFA, Alberta continues to be the best place in the world to live, work and visit. Congratulations and all the best.

Yours sincerely,



Shirley McClellan

Chair's Message

Access to funding, and to funding at very attractive rates, have allowed many communities, especially the smallest ones, to provide the facilities and services needed to maintain their communities, attract new residents, and contribute to Alberta's growth.

I am proud and honoured to be associated with the Authority, which has been able to provide a continuing high level of service and benefit for all Albertans. It is said that good things come in small packages, and the Authority, with its dedication to service and fairness to shareholders, has proved this beyond a doubt.

Don Lussier
Chair

MacEWAN RESIDENCE

LETHBRIDGE PUBLIC LIBRARY

Service Recognition

Dr. Eric J. Hanson was involved with the Alberta Municipal Financing Corporation (AMFC) since its inception and helped develop its operational standards before becoming a director in 1956. He remained on the Board of Directors until his death in December 1985. Eric was not only a professor at the University of Alberta, but also head of the university's Political Economy Department and Associate Dean of Graduate Studies. In 1974, Eric was honoured as Professor Emeritus of Economics. The Eric Hanson Memorial Lecture Series was established in 1986 at the University of Alberta, with a contribution from AMFC in honour of his dedicated service to the Corporation.

F.G. "Fred" Stewart's career with AMFC began with his appointment to the Board of Directors in 1958. He served as Deputy Provincial Treasurer until 1971. Between 1976 and 1988, Fred held various positions in the Corporation, including General Manager, Secretary-Treasurer, Vice-Chairman and Chairman.

R.A. "Bob" Splane served AMFC as General Manager for three years, while also serving as Assistant Deputy Provincial Treasurer. In 1980, Bob was appointed to the AMFC Board to represent the Class A shareholder group, a position he held until 2003. He also served as Chairman in 1996 and 1997.

Charles "Charlie" Patrick Hayes was first elected Director of AMFC in 1957, at the age of 66. In 1962 he became Chairman and was inducted into the Alberta Agricultural Hall of Fame four years later. It wasn't until 1976, at the age of 86 and after 20 years of dedicated service to the Corporation, that Charlie retired. In recognition of his service to AMFC, Charlie was appointed Honorary Chairman after his retirement and, in 1990, the C.P. Hayes Memorial Scholarship was established at Lakeland College. Charlie Hayes was a dedicated Albertan, active in his community and committed to his work.

A.F. "Chip" Collins was appointed to the Board of Directors in 1972, when he became the Deputy Provincial Treasurer. Chip continued to serve on the Board after he retired and held the position of Chairman from 1985 to 1994. In recognition of his and colleague Fred Stewart's service, AMFC established the Chairman's Scholarship. The scholarship is awarded annually to an Albertan who has achieved academic excellence in the Local Government Certificate Program through the University of Alberta's Department of Extension.

Long Term Staff

ELEANOR PEACOCK, DON BISHOP, HOLLY CARLSON AND JACKIE HUI

AMFC/ACFA's success and continued outstanding service to Albertans is the result not only of the dedication of its directors, but also thanks to the loyalty and commitment of the staff who carry out its day-to-day operations. The Authority's staff are seconded from the Department of Finance, and once appointed, dedicate themselves to the Authority's mandate. While the contributions of every employee are greatly appreciated, we would like to acknowledge the following long-service employees for their efforts and dedication to the Corporation.

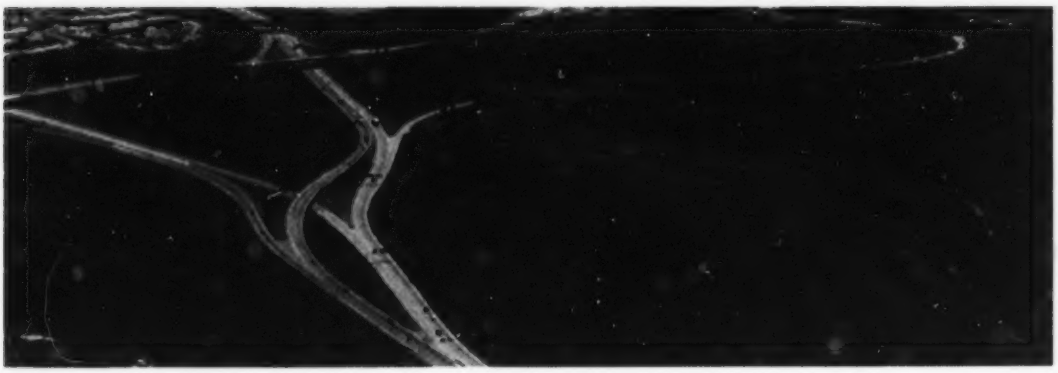
Eleanor Peacock began as an accountant in October 1974 and remained with the AMFC until she retired in 1996. Eleanor became the Corporate Secretary and Assistant Treasurer in 1987 and was appointed Secretary-Treasurer in 1989. Her leadership and organization skills were a major part of the Corporation's success during the 1980s and 1990s.

Jackie Hui joined the Corporation in 1978 as support staff and became the accountant in 1988. In 1996 she assumed the role of Corporate Secretary and Assistant Treasurer, a position she continues to hold today. Jackie's expertise is often called upon by shareholders to help them through their debt limit calculations and borrowing by-law activities. Her dedication and work ethic have gone a long way to making ACFA an efficient and effective organization.

Holly Carlson began her career with the Authority in 1987. As the first contact person in the Authority, shareholders appreciate Holly's friendly and supportive nature. She can often be heard coaching CAOs and CFOs through the process of setting up borrowing by-laws and ensuring they are passed in time for the next borrowing deadline. Holly's friendly and helpful attitude has contributed greatly to maintaining the Authority's ability to provide shareholders with reliable and effective service.

CALGARY AIRPORT

LETHBRIDGE WASTEWATER TREATMENT PLANT



CROWSNEST TRAIL EAST

Milestones

1956

- The *Alberta Municipal Financing Corporation Act* received royal assent on March 29, 1956.
- A provisional Board of Directors was appointed. Members included J.W. Judge (Chairman), C.P. Hayes (Vice-Chairman), K.J. Hawkins (General Manager), F.G. Stewart (Secretary-Treasurer), and Dr. E.J. Hanson, E.W. Hinman, and L. Patrick (Directors).
- The County of Vulcan No. 2 received the first share certificate issued by the Corporation to a municipal jurisdiction.

1957

- The first loans were made, totaling $290,750. The first loans for recreation projects and hospital purposes were also made this year.

1959

- The first loan for school purposes was made.

1971

- Total loans made by the Corporation passed the $1 billion mark.

1979

- Under the provisions of the *Municipal Debt Reduction Act*, the province paid out municipal loans totaling $570 million.

1980

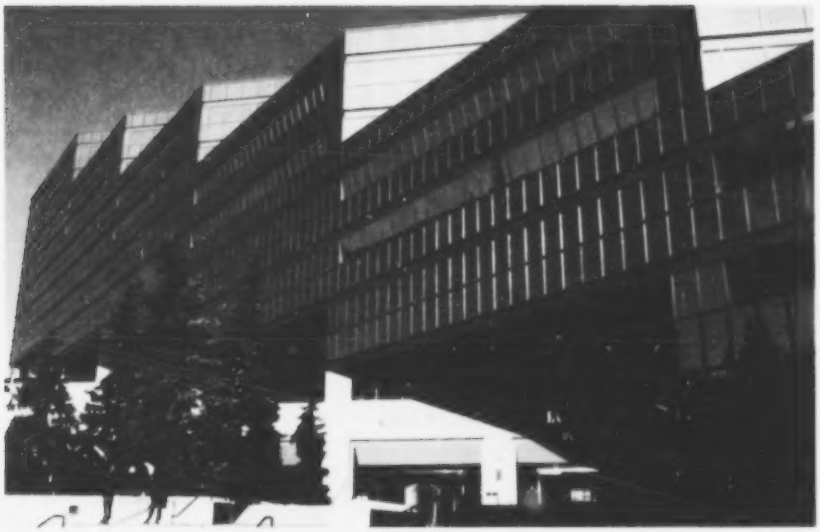
- Under the provisions of the *Hospital Debt Retirement Act*, the province paid out hospital loans totaling $304 million.
- The *Alberta Municipal Financing Corporation Act* was amended to provide a separate class of shares for school districts and divisions.
- The largest loan in the Corporation's history was made to the City of Edmonton in the amount of $70 million.
- Total loans made passed the $4 billion mark.

1982

- The largest annual volume of new loans in the history of the Corporation was made. New loans totaled $1.12 billion.
- The provincial government determined the Alberta Heritage Savings Trust Fund was no longer in a position to provide the financing requirements of the Corporation, which led to the decision to raise $250 million long-term funds in public markets for the first time since 1970.

1983

- The first Stop-loss Settlement Policy for prepayments was introduced.



CALGARY MUNICIPAL BUILDING

CHINOOK LAKE, LETHBRIDGE

1985

- The Corporation's sinking fund passed the $1 billion mark.

1986

- AMFC's loan portfolio passed the $5 billion mark.
- Changes to the Sinking Fund Policy and repayment of high rate short-term debt allowed the Corporation to reduce all loans carrying interest rates above 14 per cent to 14 per cent effective January 1, 1987.

1987

- Again, with additional substantial interest savings from the repayment of high rate short-term debt, a further reduction in the interest rate on all outstanding loans was made to a maximum of 12.5 per cent. This affected 2,400 loans and was effective January 1, 1988.
- Further changes were made to the Stop-loss Settlement Policy, allowing for reduced penalties under certain conditions.

1990

- The Info-Rate-Line was introduced, providing shareholders with current interest rates on a 24-hour basis.

1992

- Pursuant to the *Financial Administration Act*, a transfer of $300 million of retained earnings to the General Revenue Fund took place in May 1992.

1993

- Reduced interest rates on loans to a maximum of 12 per cent, effective July 1, 1993 and distributed a $38 million interest rebate from retained earnings to shareholders.
- Reduced the cumulative limit for prepayment of loans under the Stop-loss Settlement Policy from 20 per cent to 7.5 per cent.

1995

- The province announced in 1994 that as of April 1, 1995, it would now finance all new school construction, which would reduce the level of new loans issued.

1996

- Board of Directors approved a $75 million interest rebate from retained earnings to be paid to shareholders April 15, 1996.

1997

- The AMFC website was introduced in mid-1997 and included the AMFC Guide to Borrowing.

1999

- The Corporation conducted its first consultative survey to gauge opinions and levels of satisfaction with its business practices. Results were excellent.

2000

- New loans increased to $369 million, the highest level since 1993.
- On December 15, 2000 a $75 million interest rebate was paid to shareholders, reducing retained earnings without impairing financial viability.

2001

- The *Alberta Municipal Financing Corporation Act* was amended to allow Alberta regional airports to become shareholders.
- An interactive loan repayment calculator and debt and debt service limit worksheets were introduced on the AMFC website.

2002

- New loans issued increased to $766 million, the third-highest level on record.

2003

- Pursuant to the *Financial Administration Act*, a transfer of $100 million of retained earnings to the General Revenue Fund took place on March 28, 2003.
- To reflect the reduction in equity, the Board of Directors changed the interest rate policy, increasing the rate by an average of 1/8 of one per cent.
- Information sessions were held for shareholders in Edmonton and Calgary, outlining the proposed changes to the lending policies. By changing the manner in which borrowed funds were matched to loans issued, lending flexibility remained substantially unchanged.
- The *Alberta Municipal Financing Corporation Act* was rewritten and proclaimed in June 2003, changing the Corporation's name to the Alberta Capital Finance Authority (ACFA) and providing the Authority with natural person powers within its legislated mandate.

2004

- New lending policies and the elimination of the increase in interest rates in 2004 were implemented on a trial basis effective January 1, 2004. The first ME*first!* loans were issued in March 2004.
- ACFA entered into interest rate swaps to manage its exposure to fluctuation in interest rates on fixed rate loans and related debt.

2005

- Board of Directors agreed to continue with the new lending policies and process for managing its interest rate risk.

Directors

CHAIRMAN

J.W. Judge	May 1956 to Oct 1962
C.P. Hayes	Nov 1962 to Nov 1975
F.G. Stewart	Feb 1976 to Apr 1985
A.F. Collins	Apr 1985 to Apr 1994
M.J. Schmitke	Apr 1994 to Apr 1996
R.A. Splane	Apr 1996 to Apr 1997
A.J. McPherson	Apr 1997 to Sep 2001
J.M. Drinkwater	Sep 2001 to Dec 2002
G.H. Sherwin	Dec 2002 to Mar 2004
D.O. Lussier	Mar 2004 to present

HONORARY CHAIRMAN

C.P. Hayes	Feb 1976

VICE-CHAIRMAN

C.P. Hayes	Jan 1957 to Nov 1962
Dr. E.J. Hanson	Nov 1962 to Apr 1972
F.G. Stewart	Apr 1972 to Feb 1976
J.M. Currie	Feb 1976 to Jul 1980
T.E. Adams	Oct 1980 to Apr 1981
M.R. Parker	Apr 1981 to Apr 1988
R.L. Ardiel	Apr 1988 to Apr 1992
M.J. Schmitke	Apr 1992 to Apr 1994
A.J. McPherson	Apr 1994 to Apr 1996
R.L. Ardiel	Apr 1996 to Apr 1998
G.H. Sherwin	Apr 1998 to Feb 2003
D.O. Lussier	Feb 2003 to Apr 2004
P.A. Kruselnicki	Apr 2004 to Nov 2004
H.N. Johnsrude	Jan 2005 to present

DIRECTORS (Class A)

E.W. Hinman	1956 to 1957
J.W. Judge	1956 to 1962
L. Patrick	1956 to 1963
K.J. Hawkins	1956 to 1971
Dr. E.J. Hanson	1956 to 1985
F.G. Stewart	1958 to 1988
E.R. Hughes	1965 to 1971
C.P. Hayes	1971 to 1975
A.F. Collins	1972 to 1994
J.M. Currie	1975 to 1980
R.A. Splane	1980 to 2003
E.E. Borstad	1983 to 1985
A.R. Grover	1986 to 1994
A.J. McPherson	1986 to 2003
J.M. Drinkwater	1991 to 2002
J.C. Davis	1994 to 1995
E.R. McLellan	1995 to 1996
J. McGowan	1996 to 1997
A.D. O'Brien	1996 to 1999
R.J. Holmes	1997 to 1999

DIRECTORS (Class A) *continued*

E.J. McGhan	1999 to 1999
D.H. Bader	1999 to 2001
P.A. Kruselnicki	1999 to 2004
C.D. Radke	2001 to 2002
B. Pickering	2002 to 2004
C.F. Barth	2003 to present
F.W. Clarke	2003 to present
L.R. Gordon	2003 to present
B.F. Manning	2004 to present
D.H. Bader	2004 to present

DIRECTORS (Class B)

C.P. Hayes	1956 to 1971
G.W. Moyer	1971 to 1978
M.R. Parker	1978 to 1988
W.R. Gartner	1988 to 1997
D.J. Dyck	1997 to 2000
H.N. Johnsrude	2000 to present

DIRECTORS (Class C)

J. Hodgson	1956 to 1964
J.M. Tweddle	1964 to 1972
T.E. Adams	1972 to 1981
A.F. Womack	1981 to 1986
R.L. Ardiel	1986 to 1998
G.H. Sherwin	1998 to 2004
E.A. Gibbons	2004 to present

DIRECTORS (Class D)

A. Ellis	1956 to 1958
E.G. Miller	1958 to 1960
J.M. Fleming	1960 to 1969
R.L. Ellis	1969 to 1975
M.J. Schmitke	1975 to 1996
R. Feddema	1996 to 2002
S. Burford	2002 to 2005
L.G. Mann	2005 to present

DIRECTORS (Class E)

E. Murray	1981 to 1986
D.H. Vizina	1986 to 1988
C.W. Wills	1989 to 1991
M.J. Donaghy	1991 to 1998
D.O. Lussier	1998 to present

Officers

GENERAL MANAGER/PRESIDENT

K.J. Hawkins	Jan 1957 to Nov 1958
F.G. Stewart	Dec 1958 to Apr 1972
J.M. Currie	Apr 1972 to Nov 1975
R.A. Splane	Dec 1975 to Jul 1978
H.H. Strohbach	Sep 1978 to Jul 1989
J.M. Drinkwater (Acting)	Apr 1986 to Jun 1987
D.R. Bishop	Jul 1989 to Jun1993
T.S. Stroich	Jun 1993 to present

ASSISTANT GENERAL MANAGER/VICE-PRESIDENT

H.H. Strohbach	Nov 1975 to Sep 1978
J.D. Peters	Feb 1979 to Apr 1986
G.H. Kinsman	Apr 1987 to Jun 1993
M.B. Neuman	Jul 1993 to Mar 2002
L. Epp	Mar 2002 to present

SECRETARY-TREASURER

K.J. Hawkins	May 1956 to Jan 1957
F.G. Stewart	Jan 1957 to Nov 1958
J.M. Currie	Nov 1958 to Aug 1975
G.T. Dodds	Aug 1975 to May 1987
H.H. Strohbach	Jun 1987 to Jul 1989
E.J. Peacock	Jun 1989 to Aug 1996
J. Hui	Aug 1996 to present

CALGARY AIRPORT

MILLENNIUM PLACE, SHERWOOD PARK

ALBERTA CAPITAL REGION WASTEWATER TREATMENT PLANT

ALBERTA CAPITAL FINANCE AUTHORITY